



PERSI ANNOUNCES COST OF LIVING ADJUSTMENT FOR RETIREES

BOISE, Idaho, December 16, 2008 - The Board of Directors for the Public Employee Retirement System of Idaho (PERSI) today announced a 1 percent Cost of Living Adjustment (COLA) for its 31,000 retirees. Based on the economic downturn affecting Idaho and the country, and the \$1.2 billion actuarial loss sustained by PERSI as a result of market conditions, the Board felt it was necessary to be conservative at this time. The Board followed Idaho Statute 59-1355 in making the decision. According to the Statute, the Board must consider not only the actuarial valuation for the recently concluded fiscal year, but also the funding level and amortization period for the unfunded actuarial liability. As of Friday, December 12, 2008, the fund was down 22.44 percent for the current fiscal year.

The Board's actions are similar to those taken following the 1987 market panic, and again in 2002 when the value of the fund showed a 39-year amortization period following the dot-com crash. PERSI's goal is to maintain an amortization period of less than 25 years. The cost to PERSI of a 1 percent COLA is \$50 million; a full COLA would have cost the system more than \$218 million and substantially increased the unfunded liability. With state agencies being asked to cut budgets and, in some cases, reduce staff, the Board determined this was not the appropriate time to award a discretionary COLA. Like in years past, the Board has the ability to award a retro-COLA to restore retirees to full purchasing power when the economy rebounds.